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Questions & Answers
on **1941 CROP
INSURANCE**

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GENERAL QUESTIONS AND *Answers*

1. What is "all-risk" wheat crop insurance?

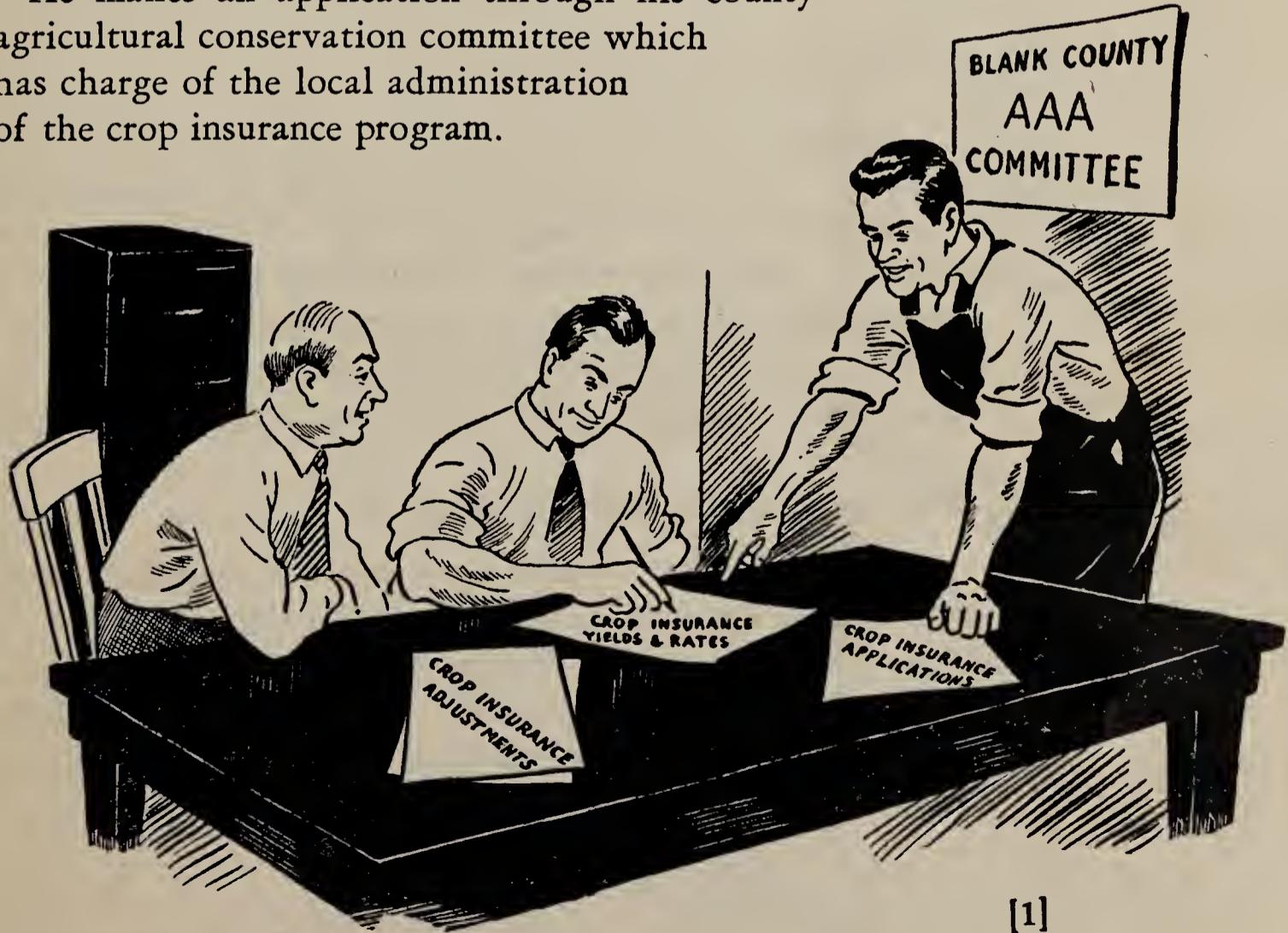
"All-risk" wheat crop insurance is protection offered to wheat growers under the Federal Crop Insurance Program, authorized by Congress under Title V of the Agricultural Adjustment Act of 1938. This program provides means by which wheat growers can insure either 50 or 75 percent of their average yield against unavoidable hazards.

2. What is meant by unavoidable hazards?

Natural hazards beyond the control of the grower which damage or destroy a wheat crop are considered unavoidable. These include drought, flood, hail, frost, wind, fire, winter-kill, tornado, storm, insect infestation, animal pests, lightning, incursion of animals, excess or deficient moisture, plant diseases, and other natural causes of loss.

3. How does a grower go about insuring his wheat crop?

He makes an application through his county agricultural conservation committee which has charge of the local administration of the crop insurance program.





4. In what years should a grower insure his crop?

Crop insurance should be considered a basic part of the farmer's long-range wheat program and as much a part of his farm plan as proper preparation of the land or use of good seed. Insurance will serve best the grower who insures every year. If he plays hunches and takes crop insurance only when he believes the crop might be threatened he still is gambling with the weather and other hazards. The program is based on the principle that in the long run the average grower will get back about as much in indemnities as he puts into the program in premiums, but he will get it back in years of crop failure when he most needs wheat income.

5. Is the quality of the crop insured?

No. Crop insurance guarantees a return of so many standard weight bushels to the acre without regard to quality.

6. What is meant by a basic market?

The price of wheat at a country point normally is based on the prices current at the terminal market in which grain from such country point is bought and sold. Therefore, to compute the cash equivalent values of premiums paid by farmers and indemnities paid to them, certain terminal markets have been designated as a base for computing cash equivalents for various areas which normally sell grain to the designated market.

7. What is meant by price differentials?

Normally wheat is worth more at a basic market where it is sold than at a country point, since certain handling and freight charges must be paid to transport such wheat from its point of production to the point of sale. Consequently, the difference in value of wheat at the basic market and the local market, or

the price differential, must be taken into account by the Corporation in computing premiums or indemnities on the basis of the farmer's local market. For most parts of the country an average for all points in a county is used as the basis for the price differential. However, in certain western States the differentials vary widely between local shipping points and in such cases the local shipping station for the farm is used to determine the price differential.

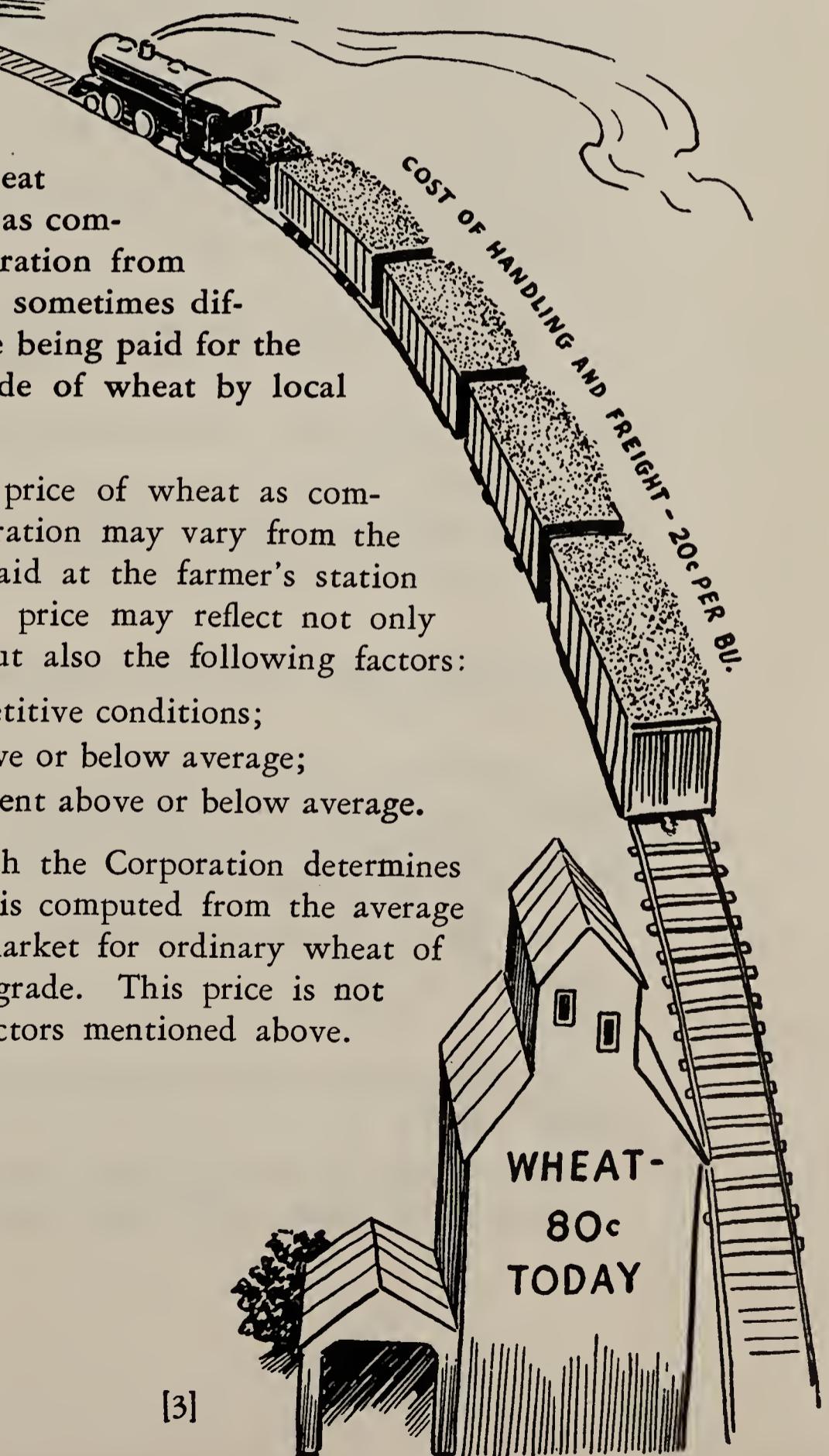


8. Why is the local price of premium wheat or indemnity wheat, as computed by the Corporation from basic market prices, sometimes different from the price being paid for the same class and grade of wheat by local elevators?

The normal local price of wheat as computed by the Corporation may vary from the actual price being paid at the farmer's station because the elevator price may reflect not only price differentials, but also the following factors:

- (1) Local competitive conditions;
- (2) Quality above or below average;
- (3) Protein content above or below average.

The price at which the Corporation determines the cash equivalent is computed from the average price at the basic market for ordinary wheat of the basic class and grade. This price is not influenced by the factors mentioned above.



9. Can a grower secure a Government loan on the wheat he receives as indemnity payment?

The Commodity Credit Corporation will make loans on wheat of acceptable quality received by an eligible producer as indemnity for a loss paid by the Corporation. If an eligible producer buys wheat with the proceeds of a cash indemnity, he can obtain a loan on the same number of bushels as the Corporation approved for payment of the indemnity.

10. Why should insured growers cooperate in the National grasshopper-control program?

If a farmer has neglected to spread bait properly in the face of a grasshopper infestation, the Corporation may (a) void the contract, or (b) at the time of adjustment of a loss deduct the amount by which the production was reduced as a result of such neglect. It is also to the grower's interest to aid in control of grasshoppers since a decreased yield will result in a lower farm average yield in future years.

SIGN-UP AND COVERAGE

11. Who may apply for wheat crop insurance?

Any wheat grower, whether he is a tenant, landlord, owner, or sharecropper is eligible to apply for crop insurance on that portion of the wheat crop in which he has an insurable interest.

12. When must applications for crop insurance be submitted on the 1941 crop?

Applications must be received by the county agricultural conservation committee, together with the premium payment, before the wheat crop is seeded or by the final date established for accepting applications, whichever is earlier. For winter wheat this date is August 31, 1940; for spring wheat applications, February 28, 1941.

13. Why is 75 percent of the average yield the most that a grower may insure?

This coverage assures the farmer of income from a substantial portion of an average crop every year and at the same time

makes it more profitable for him to raise the best possible crop rather than to collect insurance. Also, to guarantee 100 percent of the average yield would materially increase the premium rate.

14. Can a grower insure only a part of the wheat acreage on his farm?

No. He must insure his interest in all wheat on the farm. This does not mean that he must insure all of his farms in case he has more than one. Each farm is considered as a separate unit and he has the choice of insuring or not insuring each unit. If a grower has planted both winter and spring wheat on his farm, but has applied for insurance on only one type, the total production of wheat on the farm, both winter and spring, will be considered in determining whether or not a loss has occurred.

15. If a grower plants true-type winter wheat in the spring, can he collect insurance in case of a loss to such wheat?

True-type winter wheat must be planted at the customary time for such wheat in order to be protected by insurance.

16. Can volunteer or self-seeded wheat be insured?

No. Under the 1941 program only wheat seeded either by drilling or broadcasting after proper preparation of the seedbed can be insured.

17. Can a farmer insure wheat planted on land where wheat has not been grown before?

Such wheat can be insured if the county committee finds that the land is suitable for growing wheat. If there are no records of wheat yields on the farm, insurable yields and premium rates may be appraised.

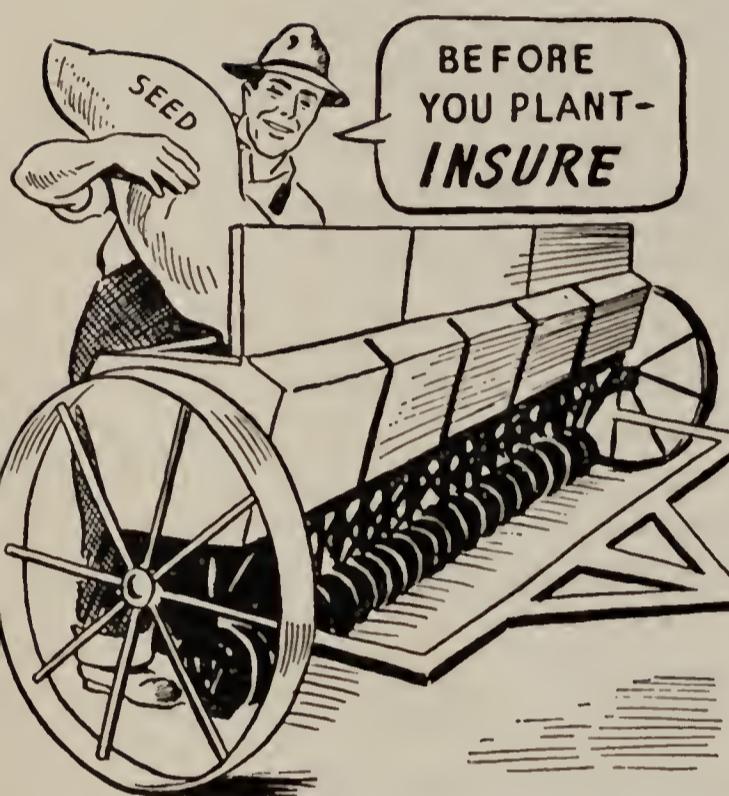
18. Can a grower insure more than 1 year's crop?

No. The grower must submit a separate application for each crop year. However, at the time a grower submits an application he may offer as deposit toward future insurance an additional wheat or cash premium equal to his current premium payment.

19. When does a crop insurance contract become effective?

The contract becomes effective when the premium has been paid and the application is accepted by the county committee, provided the yield and premium rates for the farm have been approved by the Corporation. The crop is insured as soon as it is seeded.

20. Why must the farmer's application be completed before the crop is seeded?



The premium rates farmers pay are based on average losses over a representative period, and the program can be successful only if normal distribution of risks is obtained each year. To obtain a representative distribution of the insurance, it is necessary that contracts be completed before the condition of the crop can be taken as a forecast of possible losses. Otherwise, farmers with good crop prospects might not insure, while those who thought a loss was certain to occur would insure. This would result in an unfair concentration of high risks.

21. When does the insurance contract cease to be in effect?

The insurance ceases to be in effect with respect to any portion of the insured crop upon threshing or removal from the farm, but in no event is it effective later than noon of September 30, 1941, unless specifically extended in writing by the Corporation.

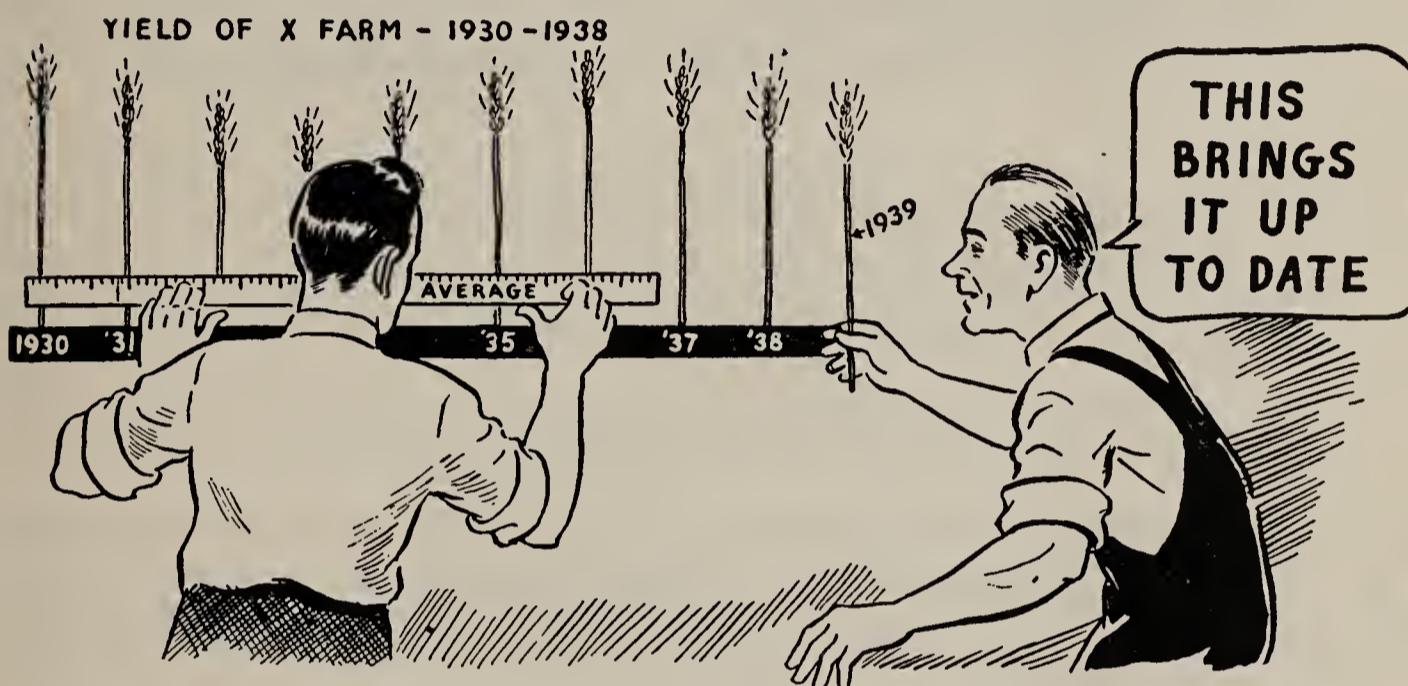
22. Must a grower comply with the Agricultural Conservation Program wheat allotments to be eligible for crop insurance?

No. It is not necessary that a grower comply with the Agricultural Conservation Program allotments, but the maximum total production which may be insured for any farm will be limited to the insurable production of the acreage allotment established for the farm. Wheat produced on any acreage in excess of the acreage allotment will be counted as production in computing any indemnity due the grower under his insurance contract.

YIELDS AND PREMIUMS

23. How is the average yield for a farm determined under the 1941 crop insurance program?

The average yield for a farm for the insurance program may be based on either actual or appraised yields, in almost all cases including the actual yield for the 1939 crop. The yield is adjusted or appraised to reflect the yield for a representative period (14 to 21 years).



24. How are yields determined for farms where actual yield records are not available?

If actual yield records are not available, an appraisal is made on the basis of a similar farm in the community for which actual yields are on record. In making appraisals, the soil type, topography, methods of cultivation, and managerial ability of the operator are taken into account.

25. What is the premium rate and how is it determined for a farm?

The premium rate represents an annual installment payment per acre toward the cost of crop loss, which over a representative period should approximately equal the losses per acre for the insured farm. The premium rate is based on the actual or appraised loss experience of the farm over a representative period



(14 to 21 years) blended with the loss experience for the county in which the farm is located. In all cases the basis of the premium rate includes any actual recorded loss for the farm in 1939.

26. When must crop insurance premiums be paid?

Premiums must be paid at the time the application form is signed by the applicant. The final dates for making application are August 31, 1940, for winter wheat and February 28, 1941, for spring wheat.

27. How may premiums be paid?

Premiums may be paid in the following ways:

1. With actual wheat, by giving the Corporation a warehouse receipt representing the amount of the premium.
2. In the cash equivalent of the bushels required for the premium at the current market price by cash, check, or money order.
3. By executing an advance against future payments to be earned under the programs of the Agricultural Adjustment Administration.

28. What happens to premiums paid in by farmers?

All cash premiums are converted immediately into actual wheat and all wheat, both that purchased and that paid in as premiums,

is stored by the Corporation at numerous points over the country where it will be convenient for indemnity payments.

29. In case it is necessary to make refunds of premiums, excess payments, or deposits, how are they handled?

Any refund shall be made only in cash equivalent of the quantity of wheat to be refunded, less an amount not to exceed one-twentieth of 1 cent a day a bushel to cover storage and handling expenses.

30. If the grower pays his premium by an advance from the Secretary of Agriculture, does he pay any interest on the funds so advanced?

No interest is charged on such advances.

31. If a grower has adopted improved practices such as irrigation or summer fallow which materially increase his wheat yield possibilities and reduce the possibilities of crop loss, can he obtain insurance on the basis of his new system of farming?

Under certain conditions the county committee may give weight to special practices being followed by a farmer. In certain counties separate yields and rates are established for each recognized special practice on the farm.

32. How can a farmer determine whether or not he can afford to carry wheat crop insurance?

Since every wheat grower must pay his cost of crop failure in the long run, premiums for crop insurance do not add to the expense of growing wheat. Growers who take out insurance regularly will get back in indemnities approximately the number of bushels they have paid in as premiums. The farmer who insures is paying a small part of his cost of crop failure every year. In other words, he is paying the cost of crop loss or failure on the installment plan.





33. Why can't the more fortunate farmers with small risk help those with higher risk by bearing more of the loss cost?

A basic principle of the crop insurance program is that insurable yields and premiums are based directly on the experience of the individual farm and county. Previous experiments in crop insurance have shown that growers will not pay more than the fair premium rate for their individual farm. Rates that are arbitrarily set at the same level for large areas of the country encourage growers with high risks to insure, but discourage low-risk producers. Therefore, any variance from the accurate rates for the individual farm would in the long run defeat the purpose of the insurance program and would make it impossible for producers to obtain protection.

ADJUSTMENT OF LOSSES

34. If the wheat crop over the entire country or a large portion of the Wheat Belt suffers such severe losses that the wheat reserve of the Corporation becomes exhausted, how are further indemnities paid?

Even though indemnity requirements in a year of extensive crop losses may exceed the amount of the wheat reserve, every farmer who is entitled to an indemnity will receive full payment. To supplement the wheat reserve and to act as a balancing fund between good crop years and poor crop years the Corporation has \$100,000,000 of authorized capital, of which \$40,000,000 has been made available. This capital can be drawn on to pay indemnities in a year that premiums paid by farmers do not meet indemnity requirements. The capital may then be replenished in years of below-normal losses when premiums paid in exceed indemnity needs. In the long run, the premiums that farmers pay should be sufficient to meet all indemnity requirements.



35. When an insured grower has a loss, how does he obtain an adjustment?

Immediately after material damage to the insured crop, the grower should send notice of such damage on a form provided by the Corporation to the office of his local county agricultural conservation committee. The county committee then sends an adjuster to determine the extent of the damage. The grower can recover the difference between the amount of wheat guaranteed him under his insurance contract and his share of the total wheat production on the farm, as defined in the contract.

36. When can losses be settled?

A total or substantially total loss of the crop can be settled as soon as it occurs and is adjusted. Partial losses are adjusted at or after harvest. The grower will be expected to harvest the crop if growers generally are harvesting crops similar to his. However, if farmers generally are not harvesting such crops he need not harvest his and only salvageable production will be counted as production.

37. What is a substantially total loss?

Where the crop is damaged so badly early in the growing season that farmers in the area generally would not further care for the crop for wheat production, it may be appraised as a substantially total loss. Any appraised production will be counted as actual production.



38. Who are the adjusters?

Adjusters are local farmers cooperating in the farm program who are fully acquainted with crop conditions in the county and with the provisions of the crop insurance contract. They have been selected by the county committee and approved by the State committee as qualified to arrive at a fair and equitable appraisal of the loss on the insured crop.

39. How is the cash equivalent of an indemnity determined?

The cash value of the indemnities growers receive is computed in exactly the same way as the cash value is determined for the premiums they pay. Where an indemnity is paid in cash by immediate settlement, the amount is computed by multiplying

the amount of loss in terms of bushels of wheat, of the class and grade specified for the payment of the premium, by the price of such wheat at the current local market as determined by the Corporation. This local market price is determined by the Corporation either for the county in which the farm is located or for the local shipping station for the farm, whichever is applicable.

40. May a grower make other use of his land after a wheat crop has been lost?

Other use may be made of the land after the Corporation has determined the crop is a total or substantially total loss.

41. Will indemnities be paid in wheat or cash?

A grower may be paid either way. He may indicate in his statement in proof of loss whether he wants cash or wheat. The Corporation will follow the grower's request if possible. However, in case the indemnity is too small to justify transfer of wheat, or if flat wheat is not available, it may not be possible to pay indemnities in wheat even though the grower has requested it. In such cases the Corporation reserves the right to make payment in a form other than that requested by the insured.

42. What is the difference between immediate settlements and deferred settlements of cash indemnities?

The grower can take his cash equivalent either by immediate settlement or under the deferred settlement plan. If he chooses to take the immediate settlement, he will receive a cash value based on the price of wheat per bushel on the day the claim for indemnity is approved by the Corporation. When a deferred payment is requested, a notice of the approval of the statement in proof of loss is sent to the insured, giving the date of the approval. At any time within 90 days of this date, the insured may give notice that he wants the cash equivalent of his indemnity established. On the day this notice is received, the Corporation computes the cash value of the indemnity at the current market. A small charge varying from $\frac{1}{2}$ to $2\frac{1}{2}$ cents a bushel is made, depending on the length of time between the approval of the claim and the final date of payment.



43. Can a grower obtain an indemnity in the form of wheat on a deferred settlement plan?

No provision has been made for deferred settlements in wheat. The primary purpose in allowing the grower to defer his cash settlement is to permit him to select the approximate date and thus the market price with respect thereto, to be used in computing the cash equivalent of his indemnity in bushels. If he receives his settlement in wheat he can hold it or sell it at his discretion.

44. When are indemnities payable?

Indemnities are due within 30 days after satisfactory proof of loss is approved by the Corporation. However, no interest or damages are allowed the insured if payment is delayed.

45. Will grain harvested from volunteer or self-seeded acreage be counted as production when crop losses are adjusted?

No. Only production from seeded wheat will be counted in determining the amount of loss.

46. If a grower has two farms, will a separate loss adjustment be made on each of such farms in case of a loss?

Each "farm" as defined by the crop insurance regulations will have a separate contract and separate settlement of loss will be made on the basis of each contract.

47. When the premium has been paid by means of an advance from the Secretary of Agriculture and the grower sustains a loss, how is repayment of the advance handled?

The amount of the advance is deducted from the first 1941 payment due the grower whether it is from the Agricultural Adjustment Administration or from the Corporation.

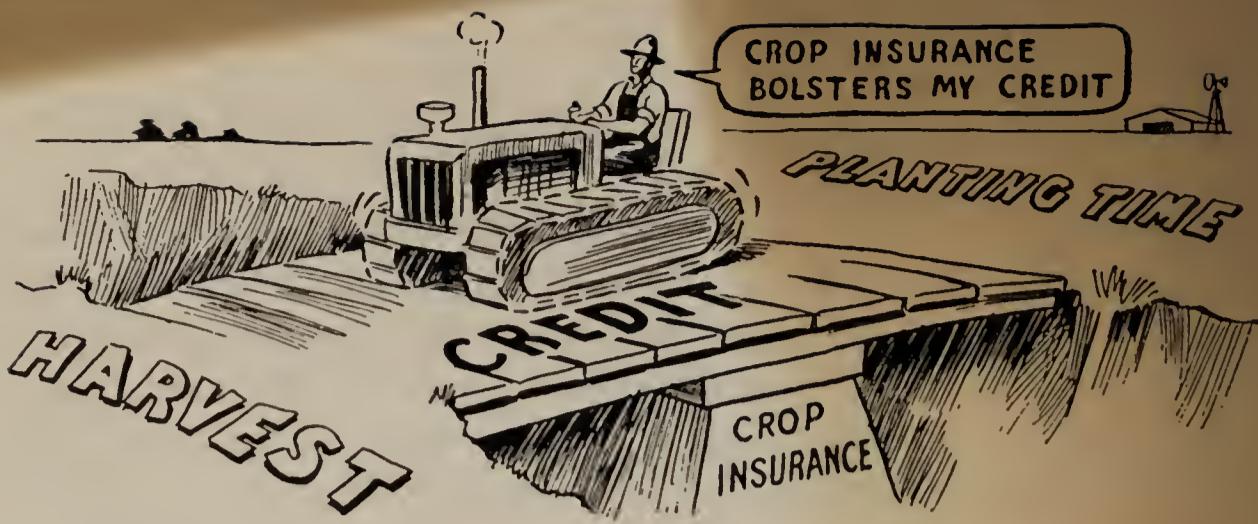
48. If a grower carries commercial hail insurance as well as Federal crop insurance, can he, if a loss from hail occurs, collect the full amount of his liability from the Corporation?

Yes. The fact that the farmer also takes out hail insurance does not diminish the guarantee of his "all-risk" insurance.

MISCELLANEOUS

49. Who pays the administrative cost of the crop insurance program?

The entire administrative cost of the crop insurance program, including the cost of storing the wheat reserves, is paid from a special Federal appropriation for that purpose. This is the Government's contribution to a program which does much to safeguard the National welfare by preventing recurrences of the economic shock and relief needs resulting from wheat crop failure.



50. Can an insured grower use his insurance contract to obtain credit?

Yes. The contract may be assigned as collateral security for (1) a current loan, (2) current advances to assist in the making of a crop, (3) the amount of the current annual installment due under a purchase, mortgage, or trust agreement covering the purchase of the farm and the additional amount of any delinquency not in excess of the current annual installment, including interest and taxes, and (4) the amount of the current year's rental due under a leasing agreement covering the farm.

51. If a grower sells all or a part of his interest in the crop, can he transfer the insurance to the buyer?

With the approval of the Corporation, a grower can transfer his interest in the insured crop to the buyer.

52. How much seed per acre must the insured grower plant?

To make his insurance effective a grower must plant as much seed as is customary in his locality to produce a normal crop.

53. May the Corporation sell any of the wheat it receives in payment of crop insurance premiums?

The Corporation may sell wheat from its reserve only (1) to pay indemnities, (2) to refund premiums in excess of the amount due from any grower, (3) to prevent deterioration of the wheat in storage, and (4) to change the location of the stored wheat. Wheat sold to prevent deterioration or to change its location must be replaced immediately.

THE FEDERAL CROP INSURANCE CORPORATION
U. S. DEPARTMENT OF AGRICULTURE
Washington, D. C.